MINUTES
Policemen's Pension and Trust Relief Fund
Thursday, February 12, 2009
9:00 a.m.

On Thursday, February 12, 2009, at 9:00 a.m. a meeting of the Board of Trustees of the Policemen's Pension and Relief Fund of the City of Little Rock, Arkansas was held in the Sister Cities Conference Room at City Hall.

PRESENT:	Farris Hensley	-Secretary
	Sara Lenehan	-Treasurer
	Mike Lowery	-Member
	Lee Harrod	-Member
	Brad Furlow	-Member
	Albert Miller	-Member
ABSENT:	Bruce Moore	-Chairman

Also present were Mr. Larry Middleton, Mr. Alex Jordan and Mr. Bo Brister of Stephens Capital Management (Financial Consultants for the Fund), Mr. John Peace of Dover Dixon Horne Law Firm (Legal Consultants for the Fund), Mr. Jody Carreiro, Actuary for the Fund, Mr. Roger Smith, Government Relation Lobbyists, Mrs. Kathy Lindsey, Pension Fund Administrative Technician, Mr. Rick Wilson and Mr. Don Wood, Retired Members of the Fund.

In the absence of Mr. Moore, Mrs. Lenehan called the meeting to order at 9:00 a.m., certifying that a Quorum of the Board was present, and that the Media had been properly notified in a letter of January 21, 2009 to the Arkansas Democrat-Gazette.

Copies of the January minutes had previously been submitted to Board members. During their review, Mrs. Lenehan requested that an amendment be made on page two (2), paragraph seven (7), line one (1) by omitting the language of, *"financial statement and"*, because only an expense report and not a financial report was submitted. The sentence would then read, *"Mrs. Lenehan submitted copies of the December 2008 expense report."* Mr. Harrod made a motion to approve the minutes with the previously referenced proposed amendment. Mr. Miller seconded the motion and it passed unanimously.

Mr. Smith gave a legislative report, and said that the Qualified Domestic Relation Order (QDRO) Bill, that is now Act Thirty-One (31), and the Bill to allow confiscated goods to be sold via the internet, that is now Act Thirty-Two (32), have now passed both Houses, and are ready for the Governor to sign. A Bill that deals with ethics reporting for Members of Local Municipal Police Pension Funds is currently pending in the Retirement Committee, and no opposition to the Bill is anticipated. Specific language is currently being prepared for a Bill that will preserve current revenue streams; when Local Municipal Fire and Police Pension Funds merge with the Local Police and Fire (LOPFI) State Pension System. He said that the Bill should be filed in the very near future. Mr. Smith told the Board that a "Shell" Bill has been filed and is awaiting specific language to provide cost of living adjustments (COLA) for local Police Pension Funds who wish to voluntary merge with LOPFI.

Mr. Carreiro's had previously been asked by the Board to perform an analysis of DROP interest paid, during past years to determine how it has impacted the over-all Fund. He said that he had analyzed data using the Funds market value rates of return from January 01, 2000 through December 31, 2007, and provided a report concluding that there was a seventeen (17) basis points *(one hundred-100-basis points in one percent, or 17/100 of a percent),* difference with a DROP, opposed to not having a DROP. Consequently, his analysis indicated that the Fund earned slightly more with DROP, than it would have earned without DROP.

Mr. Carreiro had also been asked to specifically address how the Fund could best calculate DROP interest in the future to protect the Fund, and what effect would a large exodus of DROP accounts have on the over-all Fund. Generally, he concluded that a large exodus of DROP accounts would probably have an adverse impact; because the over-all Fund would not benefit from the up-side growth of a financial market recovery. In terms of calculating and applying interest to DROP accounts, he concluded that Local Pension Funds must currently use the Arkansas Fire and Police Pension Review Board (PRB) annual certified rate, which was Nine and Six-Tenth percent (9.6%) that was received by the Fund in September 5, 2008. The certified rate was based on a past five year average of the local Funds performance. He did, however indicate that the PRB may want to explore changing the applicable rule governing DROP interest to one that is based on the Funds past year over-all market rate of return average, or use a fixed interest rate.

Mr. Furlow inquired of Mr. Carreiro concerning the possibility of the Police Pension Plan merging with LOPFI. Mr. Carreiro said that it would be very expensive, because the City would have to commit to fund above and beyond what is already committed. Mr. Harrod questioned why the funding cost of a merger with LOPFI is now based only on fifteen (15) years opposed to the thirty (30) year period that was formally used. He (Mr. Carreiro) explained that the fifteen (15) year is a fixed payment plan, whereas the thirty (30) year payment plan increases over time. And, that although the fifteen (15) year plan has a higher annual cost, the payment does not increase over time. He explained that currently the annual cost to the local plan is approximately $3,000,000.00 more than is currently being received from reoccurring revenue streams.

Following a lengthy discussion, the matter concerning DROP interest was tabled until March.

Mr. Jordan and Mr. Middleton gave a January 2009 financial report, and said that on January 31, the market value of the total Fund was $46,276,802. This represents a decrease in the account balance of *($2,838,093)* since December 31, 2008. The component of this change was income of $97,136. There were net contributions/withdrawals of $5,105. Additionally, $683,286.42 was held in the Metropolitan Bank Checking Account. The Funds overall market rate of return for the month of January 2009 was a negative (*5.65%)*, and was a negative *(19.18%)* for the past twelve months. As of January 31, 2009, $25,046,435.76 was allocated to DROP.

Mr. Jordan told the Board that there is approximately fifteen (15) months of benefit payments in reserve, and that is without liquidating marketable securities. He said that he was "comfortable" from a liquidity perspective, with the previously stated reserve amount. However, following an internal review; a tough decision may have to be made during the upcoming month in regard to the Funds current allocation to equities.

Mrs. Lenehan reported concerning the status of a report regarding ten percent (10%) of probation fees for the past three (3) years, and said that she had received the data, beginning with August 1, 2005, through July 31, 2008. Additionally, she reminded the Board that since August 2008 forward, the correct monthly amount representing ten percent (10%) of probation fees have been deposited into the Pension Fund account. However, she told the Board that Mr. Moore had asked her to have the matter tabled until March because he would be unable to attend the meeting, and that he needed additional time to review the information.

Mr. Hensley said that although the City had been depositing the ten percent (10%) monthly revenue into the Pension Fund account for the past few months, his concern was, that each month the matter is tabled, it is a month's worth of revenue that the Fund could possibly lose if the matter has to be litigated, because of the three year (3) Statute of Limitation. Mr. Hensley said that this was precisely why he had previously emailed Mr. Moore, and all of the other Board members requesting that the information be available for the current meeting. He explained that he was hopeful that Mr. Moore, or Mrs. Lenehan in the absence of Mr. Moore would be able to commit that the City will reimburse the Fund for the past three year period. When asked by Mr. Hensley if such a commitment could be made, Mr. Lenehan indicated that she had not been extended such authority.

Mr. Lowery indicated that he was also concerned, and asked Mrs. Lenehan if she knew the amount that had been calculated for the above referenced time period. She said that it was approximately $63,000, and told the Board that Mr. Moore did not intend to delay any payment to the Fund, but just wanted to review the data prior to presenting the report. Mr. Hensley asked Mr. Peace how long it will take to prepare the lawsuit if it becomes necessary to litigate. Mr. Peace said he could have a law suit ready in one week. Both Mr. Lowery and Mr. Furlow suggested that Mr. Moore be asked to give Board members a commitment to pay the above referenced amount, and allow him one week to provide an email confirmation, and the amount that would be paid. Mrs. Lenehan said that she would communicate the request to Mr. Moore.

Following a request made by Mr. Harrod for Mrs. Lenehan to provide the Board with a total calculated amount of the Ten percent (10%) probation fee from enactment of the State Statute to current, Mr. Peace was asked to research the matter and provide such an enactment date. The matter was tabled until March.

At approximately 11:00 a.m., Mrs. Lenehan excused herself from the meeting, and asked that the financial reports be tabled until March.

When asked by Mr. Rick Wilson if he had accurately understood Mr. Carreiro when he had previously reported that the pension fund was currently at a fifty percent (50%) risk of ruin (depletion of all assets), Mr. Carreiro confirmed that the Fund is currently at approximately fifty percent (50%) risk at this time. Mr. Wilson told the Board that he is concerned because if there is currently a fifty percent (50%) chance of the fund failing, and if the economy does not improve this year, then that number can only increase. Mr. Hensley explained that it was his understanding, that in the event of a failure, various courts around the county have held that regardless of conditions stipulated in State Statutes, Cities are obligated to pay benefits because it is considered a contractual obligation between them (the City) and their employees.

Mr. Hensley referred the question to Mr. *Carreiro*, who said that he believed that it would be considered a contractual obligation of the City.

Mr. Moore entered the meeting room at approximately 11:17 a.m., and inquired concerning potential litigation. He told the Board that he was shocked to hear that the Board was considering possible litigation, and explained that he was committed to reimbursing the Fund, but needed further time to review the matter. He then excused himself from the meeting.

Mr. Peace reported that Mr. Overstreet had met with attorneys for the Plaintiffs, regarding the past benefit increase lawsuit, and that an agreement had been reached in regard to the stipulation of facts. He said that prior to them being presented to the Judge, Mr. Overstreet would need a signed affidavit from Mr. Hensley and Mr. David Clark, who is Director of the PRB.

Mrs. Lindsey reported concerning a disability request that had previously been made by Mrs. Janet Wilson, concerning her adult disabled child. Mrs. Lindsey said that phone calls for Mrs. Wilson has gone unanswered, and contact had not been made. Mr. Peace told the Board that until formal application is made, there is no further action for the Board to take.

When asked by Mr. Lowery for an update in regard to the payment status of Mrs. Eddeane Garrett, Mrs. Lindsey reported that $300 was received during the month of January, which brought her current through November 2008; therefore, leaving December and January 2009 payments outstanding.

Mrs. Lindsey presented Internal Revenue W-9 forms to the Board Members, and asked that they be filled out, and returned. Some Board members had questions regarding the W-9 forms; therefore the matter was tabled until March.

Upon conclusion of Pension Board business, Mr. Miller made a motion to adjourn the meeting. The motion received a second by Mr. Harrod, and meeting adjourned at approximately 11:39 a.m.

Respectfully Submitted,

Farris Hensley